

**UNEMPLOYMENT
INSURANCE
AGENCY**

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The Work Opportunity and Welfare to Work Tax Credit Programs

The Work Opportunity Tax Credit (WOTC) and Welfare to Work Tax Credit (W2W) are federal tax credits available to private-for-profit employers who hire from specific targeted groups of people that have in the past experienced difficulty in securing employment or are long-term welfare recipients. The WOTC allows a maximum tax credit of \$2,400 on wages paid within the first year of employment, while W2W allows a maximum tax credit of \$8,500 on wages paid over the first two years of employment. The tax credits or any unused portion of the credits can be carried back one year or forward 20 years from the year in which the employer claims the credit.

Special Note: Both tax credit programs are currently up for renewal by Congress. They expired on December 31, 2003. Employers should continue sending in timely applications that will be processed and mailed as soon as these tax credits are renewed. IRS Form 8850 must still be postmarked during this hiatus within 21 days from the employee's first day on the job in order to be considered a timely application.

Eligible new hires cannot have any prior work history with the employer, cannot be a relative of the employer and must be a U.S. citizen or permanent resident.

WOTC Specific Target Groups are:

- Short-term welfare recipients
- Veterans on Food Stamps
- Youth on Food Stamps
- Vocational rehabilitation participants
- SSI recipients (supplemental security income)
- Ex-felons
- 18-24 year olds living in an Empowerment Zone (EZ), Enterprise Community (EC) or Renewal Community (RC)
- Youth, 16-17, living in an EZ, EC or RC hired for summer employment.

In Michigan there is an EZ/RC in Detroit, an EC/RC in Flint and EC communities in Muskegon, Lake County and Clare County.

W2W Specific Target Group is:

- Long-term welfare recipients

For detailed target group information, refer to the instructions that accompany IRS Form 8850.

WOTC TAX CREDIT

WOTC is for the first \$6,000 in wages paid (\$3,000 for summer youth) to the qualified employee within the first year of employment. A 25% tax credit applies if the qualified employee works at least 120 hours and becomes a 40% tax credit if the qualified employee works at least 400 hours.

W2W TAX CREDIT

The employee must work at least 180 days or 400 hours before the employer can claim W2W. A 35% tax credit applies to the first \$10,000 in "qualified wages" paid in the first year of employment, while a 50% tax credit is available for the first \$10,000 in "qualified wages" paid in the second year. Qualified wages for W2W include tax-exempt amounts received under: accident and health plans, educational assistance programs, and dependent care assistance programs.

APPLICATION PROCEDURE

CADILLAC PLACE ■ 3024 WEST GRAND BOULEVARD ■ DETROIT, MICHIGAN 48202

When applying for either tax credit, the employer must submit to the Unemployment Insurance Agency (UIA) two forms for each new hire who may qualify as a target group member. Forms are available on the Internet at www.michigan.gov/uia or by calling the WOTC Unit toll free at **(800) 482-2959**.

1. **IRS Form 8850**, "Pre-Screening Notice and Certification Request for Work Opportunity and Welfare-to-Work Tax Credits." This form is non-discriminatory and is for employers to use at the time of hire to "pre-screen" applicants for potential target group membership.

The **signed original** 8850 must be postmarked by the U.S. Postal Service **no later than 21 days from the employee's start date**. Employers anticipating difficulty in obtaining a timely postmark, may hand deliver Form 8850 to the nearest UIA unemployment office for date stamping and forwarding to the WOTC Unit.

If the 21st day falls on a Saturday, Sunday or federal holiday, the form will be accepted on the next business day. Applications submitted late will be denied.

2. **Form ETA-9061**, "Individual Characteristics Form for Work Opportunity Tax Credit and Welfare-to-Work Tax Credit." This form is to be completed after the employer has decided to hire the job seeker. The form must be fully completed and signed by the person completing the form (see reverse side of form for who may sign).

There is no time limit for submitting Form ETA-9061. Therefore, it may be mailed or faxed separately from IRS Form 8850. However, applications will be processed faster when both forms are mailed together.

3. **Obtaining documentation.** Employers may need to submit documentation to prove that the new hire is a target group member. Requirements for specific target group documentation may be obtained through the Internet or by calling the WOTC Unit toll free at (800) 482-2959.

SPECIAL NOTE: Application processing is faster when the agency receives a timely and correctly completed package that includes IRS Form 8850, ETA-Form 9061 and supporting documentation of the employee's target group membership.

OTHER MAJOR PROGRAM FACTS

- Always list the employer's name and address on any correspondence.
- Employers using employer representatives to process their tax requests, **may not** have their certifications mailed to the employer representative until either **a notarized original or notarized copy** of the Power-of-Attorney is on file with UIA's WOTC Unit.
- Employers can claim only one tax credit (WOTC or W2W) for the same individual in any one taxable year.
- Upon receipt of the certification notice, the employer is responsible for employing the worker the required number of hours/days as specified for each tax credit. Filing forms for WOTC/W2W are available from the IRS website at www.irs.ustreas.gov or by calling IRS toll-free at (800) 820-1040.

NOTE: Photocopies of forms are acceptable. However, all signatures must be original. Fax transmissions of IRS Form 8850 cannot be accepted.

Mail forms and documentation to:
Unemployment Insurance Agency
WOTC Unit
P.O. Box 8067
Royal Oak, MI 48068-8067

Questions?

Call the WOTC Unit toll free at
(800) 482-2959 or (313) 456-2105
or visit the UIA website
(www.michigan.gov/uia).

DLEG is an Equal Opportunity Employer and complies with the Americans with Disabilities Act. For more EO information, call DLEG's EO office at 313/456-2461. TTY services are available at 1-866-366-0004. Visit our website at www.michigan.gov/uia.

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